

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF NORTH DAKOTA**

<b>Advocacy Staff's Request to Investigate the Effects of Tax Reform and for Accounting Treatment</b>	) ) ) ) )	<b>Case No. PU- <u>17-490</u></b>
---	-----------------------	-----------------------------------

**REQUEST TO INITIATE INVESTIGATION INTO THE EFFECTS OF TAX REFORM  
AND FOR ACCOUNTING TREATMENT**

**Introduction**

On December 22, 2017, President Donald Trump signed H.R. 1, Tax Cuts and Jobs Bill Act of 2017 (Tax Reform), which amends the Internal Revenue Code to reduce tax rates and modify policies. Advocacy Staff requests the North Dakota Public Service Commission (Commission) issue an Order Initiating Investigation of the effects of Tax Reform on the cost of service in North Dakota. Advocacy Staff further requests regulatory accounting treatment, which may include the use of deferred accounting for assets and liabilities impacted by the Tax effective as of January 1, 2018.

**Discussion**

It is Advocacy Staff's understanding that many provisions of the Tax Reform go into effect starting January 1, 2018. Among other things, the tax reform lowers the corporate income tax rates from 35% to 21% beginning in the 2018 tax year. As part of electric and gas ratemaking, corporate income tax is a component of determining just and reasonable rates to be borne by the consumer. The passage of the Tax Reform, happening in fairly short order (a matter of weeks), has led Advocacy Staff to believe

these circumstances to be dramatic, unprecedented in recent history, unforeseeable, and extraordinary.

To Advocacy Staff's knowledge, the last Commission action resulting from a tax overhaul was H.R. 3838, Tax Reform Bill of 1986. The Tax Reform Bill of 1986, signed into law on October 22, 1986, provided months for a Commission to respond. The Commission responded by issuing, on its own motion, an Order Initiating Investigation in Case No. 10,906. The investigation requested "information be obtained from investor-owned rate-regulated utilities regarding the effect of the tax reform on each company's tax liability (increase or decrease) to determine whether a regulatory response is necessary and whether it is appropriate."

As the Commission is well aware, ratemaking is often a forward-looking exercise. The Commission sets rates that will be just and reasonable during the period that they will be in effect. The purpose of regulatory accounting treatment is to defer recognition of expenses or revenues in a current period for possible ratemaking treatment in a subsequent period. Understanding that the Commission may have concerns regarding the issue of retroactivity and the effects on currently pending rate cases, Advocacy Staff intends to investigate and address these issues moving forward.

### **Conclusion**

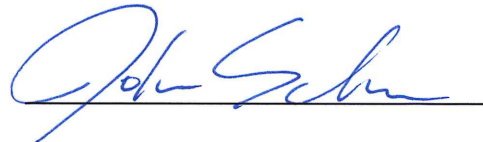
Advocacy Staff's request includes the following utilities: Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.; Great Plains Natural Gas Co.; Otter Tail Power Company; and Northern States Power Company.

THEREFORE, Advocacy Staff requests the Commission issue an order:

1. Initiating Investigation and request comments to determine the impact of the Tax Reform;
2. Beginning January 1, 2018, the above-referenced utilities shall apply the appropriate regulatory accounting treatment, including the use of regulatory assets and liability accounts, to record the impacts of the Tax Reform;
3. All other action necessary that the Commission finds just and reasonable in carrying out its jurisdiction, including refunding customers the net benefits of the Tax Reform based on the accounting of these benefits.

Dated: December 29, 2017

On behalf of Advocacy Staff,

A handwritten signature in blue ink, appearing to read "John Schuh", is written over a horizontal line.

John M. Schuh  
600 E. Boulevard Dept. 408  
Bismarck, ND 58505  
jschuh@nd.gov